

**BEFORE THE TENNESSEE REGULATORY AUTHORITY AT
NASHVILLE, TENNESSEE**

January 4, 2006

IN RE:)	
)	
PETITION OF LYNWOOD UTILITY CORPORATION)	DOCKET NO.
FOR APPROVAL OF AND AUTHORITY TO BORROW)	05-00173
UP TO \$1,000,000 TO REPAY SHORT TERM)	
INDEBTEDNESS PURSUANT TO T.C.A. 65-4-109)	

ORDER APPROVING FINANCING TRANSACTION

This matter came before Chairman Ron Jones, Director Pat Miller and Director Sara Kyle of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on August 22, 2005 for consideration of the *Petition* filed by Lynwood Utility Corporation (“Lynwood”) requesting Authority approval of a financing transaction pursuant to Tenn. Code Ann. § 65-4-109 (2004).

Petition

Lynwood provides sewer service in Williamson County, Tennessee pursuant to a certificate of public convenience and necessity originally granted to Lynwood Utility Company on June 14, 1976.¹ By order dated January 24, 2001 in TRA Docket No. 00-00690, the TRA approved the transfer of authority of Lynwood to Southern Utility Corporation. In 2004, Lynwood filed a petition with the Authority seeking approval of the transfer of Lynwood to Tyler and John Ring as sole shareholders of Southern Utility Corporation.² In that proceeding,

¹ Lynwood acquired the assets and operating authority of Lynwood Utility Company by Order dated June 27, 1996 in Tennessee Public Service Commission Docket No. 96-01012

² *In re Petition of Lynwood Utility Corporation for Approval of Transfer and Control Nunc Pro Tunc*, Docket No 04-00360, *Petition for Approval of Transfer and Control Nunc Pro Tunc* (October 19, 2004)

Lynwood notified the Authority that it had assumed debt obligations in association with plant upgrades undertaken to bring its sewage plant into compliance with the National Pollutant Discharge Eliminations System permit program. The debt obligations included a line of credit with Tennessee Contractors, Inc. (“Tenn. Contractors”) in an amount not to exceed \$1,250,000. The line of credit was due to mature on June 30, 2005.³ Lynwood informed the Authority that it intended to obtain long-term financing to discharge the letter of credit and affirmed that it would seek Authority approval before entering any long-term debt transactions.⁴ The TRA approved the transfer and expressly ordered Lynwood to seek Authority approval before entering any long-term financing or extending its Tenn. Contractors line of credit beyond June 30, 2005.⁵

On June 28, 2005, Lynwood filed its *Petition* in the current proceeding, Docket No. 05-00173. Lynwood requests approval, pursuant to Tenn. Code Ann. § 65-4-109 (2004), to obtain long-term financing from Tenn. Contractors in an amount up to \$1,000,000. According to the *Petition*, Lynwood requires the financing to repay its existing short-term line of credit from Tenn. Contractors. Lynwood further seeks authorization to extend the short-term line of credit until it obtains the long-term financing it will use to satisfy that debt.

Lynwood solicited proposals for the long-term financing from two banks and from Tenn. Contractors, a private investor. Lynwood’s financial consultant recommended that Lynwood obtain the financing from Tenn. Contractors because its terms were more advantageous to Lynwood than the proposals from the banks. The term of the Tenn. Contractors’ financing is longer than that offered by the banks⁶ and, as a result, will allow Lynwood to avoid the additional costs associated with an earlier refinancing. Further, the Tenn. Contractors’ proposal

³ See *id.*, *Petitioner’s Response to Data Request No. 2*, p. 3 (February 16, 2005)

⁴ *Id.*, *Petitioner’s Response to Staff’s April 19, 2005 Letter Request* (April 26, 2005)

⁵ *Id.*, *Order Approving Transfer of Authority* (July 15, 2005)

⁶ The loan from Tenn. Contractors for which Lynwood seeks approval has a twenty-year term, while the banks offered terms of only 10 years

does not require Lynwood to pledge its accounts receivables, which will allow Lynwood to provide working capital for any required plant additions and provide funding for potential emergencies.

Statutory Framework

Tenn. Code Ann. § 65-4-109 (2004) states:

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the [TRA] for such proposed issue. It shall be the duty of the [TRA] after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the authority.

Pursuant to this statutory authority, the TRA must determine whether the proposed financing transaction is in accordance with law and the stated purpose meets with the TRA's approval.

August 22, 2005 Authority Conference

At a regularly scheduled Authority Conference held on August 22, 2005, the panel voted unanimously to approve the *Petition* and made the following findings:


1. The proposed transaction is subject to approval pursuant to Tenn. Code Ann. § 65-4-109 (2004).
2. The proposed transaction is being made in accordance with the laws enforceable by the Authority.
3. The purpose of the transaction is in the public interest because it will provide a reduction of Lynwood's costs and allow Lynwood to control and minimize the impact of related costs to its customers.

IT IS THEREFORE ORDERED THAT:

1. Lynwood Utility Corporation is authorized to enter into the long-term financing transaction as described in the *Petition* and discussed herein.

2. Lynwood Utility Corporation is authorized to extend its existing short-term financing as described in the *Petition* and discussed herein.

3. The authorization and approval given hereby shall not be used by any party, including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser has been performed. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee or any political subdivision thereof for the transactions approved herein.



Ron Jones, Chairman



Pat Miller, Director



Sara Kyle, Director